

## Staff Proposed Parameters and Guidelines

Revenue and Taxation Code Sections 97, 97.0 1, 97.02  
97.03, 97.035, 97.5, 98, and 99

Added and Amended By

Chapter 697, Statutes of 1992, Chapter 699, Statutes of 1992  
Chapter 700, Statutes of 1992, Chapter 899, Statutes of 1992  
Chapter 1369, Statutes of 1992, Chapter 66, Statutes of 1993  
Chapter 68, Statutes of 1993, Chapter 904, Statutes of 1993  
Chapter 905, Statutes of 1993, Chapter 1279, Statutes of 1993

### *Allocation of Property Tax Revenues*

#### I. Summary of the Source of the Mandates

The provisions of Revenue and Taxation Code sections 97, 97.01, 97.02, 97.03, 97.035, 97.5, 98, and 99, as added and amended by Chapter 697, Statutes of 1992, Chapter 699, Statutes of 1992, Chapter 700, Statutes of 1992, Chapter 899, Statutes of 1992, Chapter 1369, Statutes of 1992, Chapter 66, Statutes of 1993, Chapter 68, Statutes of 1993, Chapter 904, Statutes of 1993, Chapter 905, Statutes of 1993, and Chapter 1279, Statutes of 1993 requires counties to plan, implement, report, distribute administer and account for new property tax revenue allocations to school districts, without authority to charge schools districts for associated administrative costs.

#### II. Commission on State Mandates' Decision

At its July 21, 1994 hearing, the Commission on State Mandates determined that the provisions of Revenue and Taxation Code sections 97, 97.01, 97.02, 97.03, 97.035, 97.5, 98, and 99, as added and amended by Chapter 697, Statutes of 1992, Chapter 699, Statutes of 1992, Chapter 700, Statutes of 1992, Chapter 899, Statutes of 1992, Chapter 1369, Statutes of 1992, Chapter 66, Statutes of 1993, Chapter 68, Statutes of 1993, Chapter 904, Statutes of 1993, Chapter 905, Statutes of 1993, and Chapter 1279, Statutes of 1993 impose upon counties a reimbursable state mandated program, limited to those administrative costs that apply to school districts because counties are specifically prohibited from charging such administrative costs to school districts.

### III. ELIGIBLE CLAIMANTS

Counties.

### IV. PERIOD OF REIMBURSEMENT

Chapter 697, Statutes of 1992 was approved by the Governor on September 14, 1992, and became operative on January 1, 1993.

Chapter 699, Statutes of 1992 was approved by the Governor on September 14, 1992, and, as an urgency statutes, became operative on September 14, 1992.

Chapter 700, Statutes of 1992 was approved by the Governor on September 14, 1992, and, as an urgency statute, became operative on September 14, 1992.

Chapter 899, Statutes of 1992 was chaptered on September 24, 1992, and, as an urgency statute, became operative on September 24, 1992.

Chapter 1369, Statutes of 1992 was approved by the Governor on September 27, 1992, and, as an urgency statute, became operative on September 27, 1992.

Chapter 66, Statutes of 1993 was chaptered on June 30, 1993, and, as an urgency statute, became operative on June 30, 1993.

Chapter 68, Statutes of 1993 was chaptered on June 30, 1993, and, as an urgency statute, became operative on June 30, 1993.

Chapter 904, Statutes of 1993 was chaptered on October 8, 1993, and, as an urgency statute, became operative on October 8, 1993.

Chapter 905, Statutes of 1993 was chaptered on October 8, 1993, and, as an urgency statute, became operative on October 8, 1993.

Chapter 1279, Statutes of 1993 was chaptered on October 11, 1993, and as an urgency statute, became operative on October 11, 1993.

County costs incurred on or after the operative dates for each of the above statutes are eligible for reimbursement as the subject test claim was timely filed by the County of Los Angeles on December 21, 1993. In accordance with Section 17557 of the Government Code, when a test claim is filed on or before December 31, costs incurred during the prior fiscal year are eligible for reimbursement. In this case, costs incurred in the 1992-93 and subsequent fiscal years, on or after the above statutory operative dates, are eligible for reimbursement.

Actual costs for one fiscal year shall be included in each claim. Estimated costs for the subsequent year may be included on the same claim, if applicable. Pursuant to section 17561, subdivision (d) (3) of the Government Code, all claims for reimbursement of cost shall be submitted within 120 days of notification by the State Controller of the enactment of the claim bill.

If total costs for a given fiscal year do not exceed \$200, no reimbursement shall be allowed, except as otherwise allowed by Government Code section 17564.

#### IV. REIMBURSABLE COSTS

##### A. Scope of Mandate

Counties shall be reimbursed for costs incurred to comply with new state requirements for allocating property tax revenues pursuant to certain provisions of Revenue and Taxation Code sections 97, 97.01, 97.02, 97.03, 97.035, 97.5, 98, 99, as added and amended by Chapter 697, Statutes of 1992, Chapter 699, Statutes of 1992, Chapter 700, Statutes of 1992, Chapter 899, Statutes of 1992, Chapter 1369, Statutes of 1992, Chapter 66, Statutes of 1993, Chapter 68, Statutes of 1993, Chapter 904, Statutes of 1993, Chapter 905, Statutes of 1993, Chapter 1279, Statutes of 1993, hereafter referred to as the subject law.

##### B. The following local government costs for planning, implementing, state reporting, distributing funds, administering, and accounting necessary to comply with the subject law (These costs should only be the Property Tax Reallocation Administrative Costs, which cannot be charged to the school districts):

###### 1. For planning:

- a. Meeting and conferring with state and local officials to interpret the subject law and establish local operating guidelines.
- b. Developing or revising local user requirements for the subject new county system for ancillary property tax revenue allocations.
- c. Modifying county policies and procedures in compliance with the subject law.

###### 2. For implementation:

- a. Preparation and review of 1989-90 adjusted prior year Revenue Certification schedules.
- b. Analysis and identification of relevant prior year revenues and adjustments by type of local unit.
- c. Computations of factored amounts of relevant prior year revenues and adjustments by type of local unit.
- d. Computations of 16 factor/column local unit schedules to determine base revenue shift in a form suitable for mandatory state reporting.
- e. Preparation of property tax revenue reallocation (certification) notices and supporting schedules for all affected local units.
- f. Development or modification of software or manual procedures necessary to distribute reallocated property tax revenues to schools' Educational Revenue Augmentation Funds (ERAF).
- g. Inputting relevant tax revenue data into the new processing system.
- h. Processing State Controller Office reallocation changes such as the increase in

Special District property revenue collection reallocations of 5%, from 35% to 40%.

3. For reporting to the State Controller the amount of the property tax revenue reduction to each special district within the county.
4. For distributing ERAF funds, to periodically input and transfer new property tax revenue reallocations to schools' ERAF accounts.
5. For administering new ERAF transactions, to notify all affected local jurisdictions of their account transactions and balances and, upon request, explain, verify, confirm or research particular new property tax revenue reallocations.
6. For accounting, to prepare journal vouchers for custodial account transfers, compute interest earnings for allocations to accounts, reconcile accounts for fiduciary purposes, and document all account processing, subject to audit.

## VI CLAIM PREPARATION AND SUBMISSION

Each claim for reimbursement pursuant to this mandate must be timely filed and set forth a listing of each item for which reimbursement is claimed under this mandate.

Claimed costs would be supported by the following:

### A. Employee Salaries and Benefits

Show the name of the employee involved, the classification of the employee, mandated functions performed, number of hours devoted to the function, productive hourly rates and benefits.

### B. Services, Equipment and Supplies

Only expenditures which can be identified as a direct cost as a result of the mandate can be claimed. List cost of materials or equipment acquired which have been consumed or expended specifically for the purposes of this mandate.

### c. Contract Services

List costs incurred for contract services for the mandated program. Contracting costs are reimbursable to the extent that the function performed requires special skills or knowledge that is not readily available from the claimant's staff. Use of contract services must be justified by the claimant.

D. Fixed Assets

List the cost of fixed assets that have been acquired specifically for the purpose of this mandate. If a fixed asset is acquired for the subject state mandates, but is utilized in some way not directly related to the program, only the pro-rata portion of the asset which is used for purposes of the program is reimbursable.

E. Allowable Overhead Cost

Claimants have the option of using 10% of direct labor as indirect costs or preparing a departmental Indirect Cost Rate Proposal (ICRP) for the program if an indirect cost rate in excess of 10% is claimed. If more than one department is claiming indirect costs for the mandated program, each department must have their own ICRP prepared in accordance with Office of Management and Budget Circular A-87 (OMB A-87).

QII. SUPPORTING DATA

For auditing purposes, all costs claimed must be traceable to source documents and/or worksheets that show evidence of and validity of such costs. All documentation supporting such costs shall be made available to the State Controller or his agent, as may be requested, during the record retention period specified in Government Code section 17558.5, subdivision (a).

Government Code section 17558.5, subdivision (a), requires that all supporting source documents and worksheets shall be kept on file not less than four years after the end of the calendar year in which the reimbursement claim is filed or last amended, unless no funds are appropriated for the program for the fiscal year for which the claims is made, in which case, the four year retention period shall commence to run from the date of initial payment of the claim.

QIII. OFFSETTING SAVINGS AND OTHER REIMBURSEMENT

Any offsetting savings the claimant experiences as a direct result of the subject statutes must be deducted from the costs claimed. In addition, reimbursements for the subject mandates received from any source, e.g., federal, state, etc., shall be identified and deducted from this claim.

IX. STATE CONTROLLER'S OFFICE REQUIRED CERTIFICATION

An authorized representative of the claimant will be required to provide a certification of the claim, as specified in the State Controller's claiming instructions, for those costs mandated by the state contained herein.